

**REPORT OF THE AUDIT OF THE  
LARUE COUNTY  
SHERIFF'S SETTLEMENT - 2009 TAXES**

**For The Period  
April 16, 2009 Through April 15, 2010**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**LARUE COUNTY**  
**SHERIFF'S SETTLEMENT - 2009 TAXES**

**For The Period**  
**April 16, 2009 Through April 15, 2010**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2009 Taxes for the LaRue County Sheriff for the period April 16, 2009 through April 15, 2010. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$4,973,017 for the districts for 2009 taxes, retaining commissions of \$205,117 to operate the Sheriff's office. The Sheriff distributed taxes of \$4,456,285 to the districts for 2009 taxes. Taxes of \$369,026 are due to the districts from the Sheriff and refunds of \$2,154 are due to the Sheriff from the taxing districts.

**Report Comments:**

2009-01 The Sheriff Should Distribute Interest Earned On Tax Collections Monthly  
2009-02 The Sheriff Should Present His Annual Settlement To Fiscal Court No Later Than  
September 1 Of Each Year

**Deposits:**

The Sheriff's deposits as of November 30, 2009 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$377,212

The Sheriff's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Tommy Turner, LaRue County Judge/Executive  
Honorable Bobby Shoffner, LaRue County Sheriff  
Members of the LaRue County Fiscal Court

Independent Auditor's Report

We have audited the LaRue County Sheriff's Settlement - 2009 Taxes for the period April 16, 2009 through April 15, 2010. This tax settlement is the responsibility of the LaRue County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the LaRue County Sheriff's taxes charged, credited, and paid for the period April 16, 2009 through April 15, 2010, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated April 11, 2011 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an



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opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2009-01 The Sheriff Should Distribute Interest Earned On Tax Collections Monthly
- 2009-02 The Sheriff Should Present His Annual Settlement To Fiscal Court No Later Than September 1 Of Each Year

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

April 11, 2011



LARUE COUNTY  
BOBBY SHOFFNER, SHERIFF  
SHERIFF'S SETTLEMENT - 2009 TAXES

For The Period April 16, 2009 Through April 15, 2010

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 829,799	\$ 556,281	\$ 2,283,204	\$ 613,548
Tangible Personal Property	61,582	38,642	106,708	75,389
Intangible Personal Property				3
Fire Protection	1,257			
Franchise Taxes	127,598	79,309	238,132	
Fire Department Dues		211,295		
Bank Franchises	55,798			
Penalties	5,018	4,890	13,697	3,698
Adjusted to Sheriff's Receipt	(351)	(245)	(991)	(280)
Gross Chargeable to Sheriff	<u>1,080,701</u>	<u>890,172</u>	<u>2,640,750</u>	<u>692,358</u>
<u>Credits</u>				
Exonerations	3,907	33,917	10,317	3,292
Discounts	15,922	12,329	38,560	10,719
Delinquents:				
Real Estate	29,515	30,595	81,112	21,797
Tangible Personal Property	1,056	655	1,829	1,539
Franchise Taxes	<u>12,152</u>	<u>7,386</u>	<u>14,365</u>	
Total Credits	<u>62,552</u>	<u>84,882</u>	<u>146,183</u>	<u>37,347</u>
Taxes Collected	1,018,149	805,290	2,494,567	655,011
Less: Commissions *	<u>43,271</u>	<u>34,225</u>	<u>99,783</u>	<u>27,838</u>
Taxes Due	974,878	771,065	2,394,784	627,173
Taxes Paid	885,834	714,180	2,228,018	628,253
Refunds (Current and Prior Year)	<u>255</u>	<u>179</u>	<u>771</u>	<u>244</u>
Due Districts or (Refunds Due Sheriff) as of Completion of Audit	<u>\$ 88,789</u>	<u>\$ 56,706</u>	<u>\$ 165,995</u>	<u>\$ (1,324)</u>

\* and \*\* See next page.

The accompanying notes are an integral part of this financial statement.

LARUE COUNTY  
BOBBY SHOFFNER, SHERIFF  
SHERIFF'S SETTLEMENT - 2009 TAXES  
For The Period April 16, 2009 Through April 15, 2010  
(Continued)

\* Commissions:

4.25% on \$ 2,478,450

4% on \$ 2,494,567

\*\* Special Taxing Districts:

Library District	\$ 27,108
Health District	9,496
Extension District	20,183
City of Upton	595
Buffalo Fire Department	(784)
New Hope Fire Department	37
Magnolia Fire Department	37
LaRue Fire Department	(46)
Rolling Fork Fire Department	23
Upton Fire Department	57

Due Districts or (Refunds Due Sheriff)	<u>\$ 56,706</u>
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LARUE COUNTY  
NOTES TO FINANCIAL STATEMENT

April 15, 2010

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The LaRue County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

LARUE COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 APRIL 15, 2010  
 (Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 15, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of November 30, 2009, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured                      \$377,212

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2009. Property taxes were billed to finance governmental services for the year ended June 30, 2010. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 27, 2009 through April 15, 2010.

Note 4. Interest Income

The LaRue County Sheriff earned \$1,900 as interest income on 2009 taxes. As of April 11, 2011, the Sheriff owed \$915 in interest to the school district and \$985 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The LaRue County Sheriff collected \$23,802 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the Sheriff's office.

Note 6. Unrefundable Duplicate Payments And Unexplained Receipts

The Sheriff deposited unrefundable duplicate payments and unexplained receipts in interest-bearing accounts. The Sheriff's escrowed amounts were as follows:

2005	\$1,276
2006	\$11,175
2007	\$6,195
2008	\$237

KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned and abandoned funds are required to be sent to the Kentucky State Treasurer by KRS 393.110. The Sheriff will send a written report to the Treasury Department and submit the required funds to the Kentucky State Treasurer in accordance with KRS 393.110.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Tommy Turner, LaRue County Judge/Executive  
Honorable Bobby Shoffner, LaRue County Sheriff  
Members of the LaRue County Fiscal Court

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the LaRue County Sheriff's Settlement - 2009 Taxes for the period April 16, 2009 through April 15, 2010, and have issued our report thereon dated April 11, 2011. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the LaRue County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LaRue County Sheriff's Settlement - 2009 Taxes for the period April 16, 2009 through April 15, 2010, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2009-01 and 2009-02.

This report is intended solely for the information and use of management, the LaRue County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

April 11, 2011



## COMMENTS AND RECOMMENDATIONS



LARUE COUNTY  
BOBBY SHOFFNER, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Period April 16, 2009 Through April 15, 2010

STATE LAWS AND REGULATIONS:

2009-01 The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

Our test procedures indicate the Sheriff did not pay interest earned to the board of education or his fee account on a monthly basis. As of April 15, 2010, the Sheriff owes the LaRue County Board of Education \$915 and the fee account \$985. KRS 134.140(2) states, "As part of the monthly distribution of taxes to a district board of education as required by KRS 134.191, the sheriff shall pay to the board of education that part of the investment earnings for the month which are attributable to the investment of school taxes... ." KRS 134.140(4) states, "the sheriff may use investment earnings, other than those which must be paid to the board of education...to pay lawful expenses of his or her office." We recommend the Sheriff comply with KRS 134.140 by paying the amount of interest due the board of education and the fee account on a monthly basis.

*Sheriff's response: No response.*

2009-02 The Sheriff Should Present His Annual Settlement To Fiscal Court No Later Than September 1 Of Each Year

Our test procedures revealed the Sheriff presented his annual settlement of tax collections to Fiscal Court on October 29, 2010. KRS 134.192(1) requires the Sheriff to "annually settle his or her accounts with the department, the county, and any district for which the sheriff collects taxes on or before September 1 each year." KRS 134.192(5) states, "the report of the state and local settlement shall be filed in the county clerk's office and approved by the governing body of the county no later than September 1 of each year." We recommend the Sheriff comply with the requirements of KRS 134.192 by presenting a completed annual settlement of tax collections to fiscal court for approval and filing the settlement in the county clerk's office by September 1 of each year.

*Sheriff's response: No response.*

